

From Regime Crisis to System Change

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The Philippines is in the midst of a deep, systemic crisis. The crisis confronting the Arroyo regime is not just one more instance of the refusal of competing elite factions to accept the legitimacy of elections as a means for mediating elite competition. The crisis of the Arroyo administration manifests the cumulative impact of a long simmering crisis of representation. It is not just Pres. Arroyo who is being challenged, it is the capacity of the whole political system to select leaders capable of responding to the needs of the Philippines in the 21st century.

It is precisely the depth of the crisis that prevents a quick and easy resolution. A functioning state resolves conflict through mechanisms that organizes winners and losers. The deeper the crisis the more difficult it is to identify winners and losers. Political players are being forced to think beyond 'who gets what and when' to 'how' and to project from the 'here and now' to the future, a difficult and uneasy task for most politicians. Put more simply, politicians cannot be sure how changes in the political system will affect them.

Many political leaders, pro-administration and opposition alike, rhetorically acknowledge the depth of the crisis, but continue to behave in the same old ways. The most obvious is President Gloria Macapagal Arroyo. For years she has talked about the crisis in the political system and the need to reform the institutions of government. In September 2005, for example, she said that charter change is one major step the nation must take to achieve peace and stability over the "rapidly degenerating political system."¹ But she has also behaved like an old style traditional politician, a *trapo*. Worst, since the onset of the crisis only a little more than a year ago, she has undermined the very political institutions she would reform. Abandoned by reformist allies and forced to concentrate on political survival, Arroyo has reduced governance to who is for me and who is not, punishing and rewarding without regard for legality and established procedure.

"In stable societies, political questions like these - that challenge the basic legitimacy of the sitting president - are ultimately resolved by election, or by acts of Congress or Parliament, or they are referred back to the legal and judicial system for further investigation, prosecution, and adjudication. But in young societies like ours - where the institutional spheres are not yet fully differentiated - legal institutions and government agencies tend to be heavily contaminated by partisan politics. This compromises their independence. Instead of being able to put an orderly closure to unresolved political questions, these institutions are dragged into the political arena and lose their credibility. Consequently, legal issues are re-politicized, and the whole process repeats itself, leaving in its wake the debris of institutional wreckage." (Randy David, Manila Polo Club talk, February 7, 2006)

Regime Crisis

Some of the problems of Gloria Macapagal Arroyo are not of her making. She is 'charisma-challenged' mostly because she is arrogant and ill-tempered, but she really can't be blamed for her grating, screechy voice. If the government she heads cannot deliver, no government before her has either. She is right, many of our problems today derive from our political system. Much of the emotion

¹ "GMA: Cha-cha to bring unity", **The Philippine Star**, September 9, 2005

behind moves to remove her instead come from the promise of political reform that was the basis of her extra-constitutional ascension to the presidency. She came to power in January 2001 on the crest of a 'people power' revolt against the corrupt Estrada government. After a few years of half-hearted reform efforts, Arroyo turned decidedly reactionary in the wake of challenges to her (re)election as president in June 2005.

Arroyo has faced three separate opposition groups since the Garci tapes (after Commission on Elections Commissioner Virgilio Garcillano) scandal broke in June 2005. The scandal was exposed by opposition politicians linked to losing presidential candidate Fernando Poe Jr., and former president Joseph Estrada. Another group is made up of those who tried to get Arroyo to resign on July 8, 2006: the cabinet ministers who resigned, since then called the Hyatt 10; the reform wing of the Liberal Party; business groups led by the Makati Business Club; the large civil society coalition CODE-NGO; the Roman Catholic Association of Major Religious Superiors; and former President Corazon Aquino. The last is the Left, divided into those linked to the Maoist national democratic movement and the 'democratic Left' mainly those in the coalition *Laban nang Massa* (Struggle of the Masses).

Opposition politicians broke the scandal and led large demonstrations together with the Left back in July 2005. But they carry the burden of public judgment against the Estrada regime and the earlier Marcos dictatorship that the older ones among them go back to. They are a small minority of members of Congress, and an even smaller number of local government officials. They have the disadvantage of a particularly debilitating aspect of Philippine party politics, the tendency of politicians to move to the party of the president who controls patronage. Former Pres. Estrada did not pay much attention to building his own party, so the exodus to the party of Pres. Arroyo was easy and the consolidation of pro-Arroyo parties was over by the time the scandal broke four years later. In the House of Representatives, the opposition is minuscule, not even strong enough to secure the one third vote needed for impeachment. It is in the Senate where the combination of opposition senators with the reform wing of the Liberal Party, and the threat of the abolition of the Senate has created an immovable force against the Arroyo administration.

The Left provides the main organized mobilizable force in Metro Manila and other large cities. Because of divisions, mainly between the Maoists and everyone else, and because the Left as a whole has been in decline since the second half of the 1980s, this organized capacity has not been enough to sustain the momentum of mass actions. Without the kind of political momentum that generates spontaneous mobilization, the Left's severe resource limitations comes into play. A year ago, this generated debates because some groups wanted to work with the pro-Estrada crowd the better to access Estrada's resources. Similar expectations from the other side of the political spectrum, groups linked to reform business groups, have led to similar disappointments. The Maoists are anxious to bring Arroyo down because she has unleashed the kind of murderous counterinsurgency complete with extra-judicial killings not seen since the Marcos years. The advantage of the democratic Left, as yet not subjected to the same kind of pressure as the Maoists, is that they can locate the anti-Arroyo struggle in a longer term time frame and thus relate more easily to a systemic change orientation.

The groups and individuals who called on Pres. Arroyo to resign last July 8 represent the cutting edge of middle class frustration with the President. There's a logic to the components of the group. Cory Aquino is the icon of moral rectitude, an important requirement for middle class support. The Makati Business Club represents what might be called the 'modernizing bourgeoisie', a segment of the business class most against rent seeking as business strategy. The economic managers who resigned, ranging from Purisima to Boncodin, have carried integrity and technocratic competence with them into the bureaucracy. The Liberal Party, minus Manila Mayor Lito Atienza and other LP opportunists, come

closest to being a party of reform. Civil society crossovers provide bridges to civil society, the AMRSP to progressive sections of the Catholic Church. These groups and individuals are the political expressions of an upper and middle class political project for a strong, efficient state.

By any measure, together these groups constitute a large and powerful bloc. Powerful enough to preoccupy the Arroyo administration and keep it in a destructive survival mode. But not powerful enough to bring the regime down. Not powerful enough to pry loose the politicians in local governments and the House who are quite adept at smelling changes in the wind. One reason is that the three groups share only the anti-Arroyo goal, not who to replace her with, certainly not what systemic changes to put in place. They work together well enough considering their differences, but without enough fervor to overcome the advantages of incumbency. Another reason is that anything short of revolutionary change, would require the support or at least acquiescence of three key (some would say the only) components of the dominant social bloc in the Philippines, the capitalists, the United States and the Catholic church. I would add a fourth, the military.

Business is, in many ways the most crucial. In both EDSA 1 and 2, support of business groups and individuals solved resource problems for the Left, and made it possible for middle class groups to believe that political action would not result in painful sanctions, if nothing else because business support raised the movement's chances of success. (Hedman, 2006) A deep crisis that had already led to economic contraction for two years by 1986, and the kind of rogue business behavior by Estrada and his friends that scared business groups in 2000, resulted in effective business activism. But today business groups including even the Makati Business Club have not yet committed enough resources and open risk taking to the task of bringing Arroyo down. This is partly because economic activity continues to be shielded from political crisis by overseas Filipino worker remittances and heavy government borrowing. More importantly because business leaders know that what needs changing is not just a Marcos or an Estrada or an Arroyo, but the political system that spawned them. For many business people, an unsatisfactory status quo is better than an uncertain future.

As difficult as it is for Left groups to believe, the Philippines is just not important enough for the US at this time to intervene actively to resolve the political impasse. Preoccupied with the wars in Afghanistan and Iraq, the US' main concern in the Philippines at this time is having enough room to operate in Mindanao to close down Islamic terrorist training camps. This does not mean that American diplomats and business people are not unhappy about Arroyo's turn away from reform. They privately express sympathy with Arroyo's middle class opponents. But as long as other centers of power, most importantly big business and the Catholic hierarchy are not actively taking an anti-Arroyo position, until the crisis reaches a point where there is danger of uncontrolled changes or more specifically those that would open the way for the Communist Party of the Philippines (CPP) to come to power, the US is taking a wait and see attitude.

The Catholic Church is more divided than other centers of power. Religious orders, both those of men and women, have been actively working against the regime. But except for a few vocal bishops, the powerful Catholic Bishops Conference of the Philippines (CBCP) is vacillating between calls for "getting at the truth" and strict interpretations of "separation between church and state". One problem is the absence of a leader of the stature and political activism of the late Cardinal Jaime Sin. The division of the diocese of Manila into several separate diocese has also made political action in the crucial Manila arena difficult. The new Pope's papal nuncio has reportedly cautioned against political activism. There are indications, however, that some the bishops are moving closer and closer to the kind of mobilizational role the church took in EDSA 1 and 2.

The Philippine military is not a center of power the way the military is in Burma, and if in diminished form, still are in Thailand and Indonesia. But under conditions of stalemate between Arroyo and her opponents, many look to the military to break the stalemate. Credible reports of the the Arroyo regime's use of the military in the 2004 elections have exacerbated tensions within an officer corps long unhappy with politician interference within the military. Many officers feel that they cannot become professionals with politicians usurping military intelligence capability, intervening in promotions, and corrupting top level officers. An attempt at organizing the military hierarchy's withdrawal of support from Arroyo back in February failed, but resolving the issues raised then has proven to be difficult because punishing top officers from elite military units, the Scout Rangers, Marines and police Special Action Force would be risky and would do damage to these units. (Philippine Star, July 4, 2006)

A year after the scandal broke, Arroyo seems to have withered the storm. She has shown iron will and tactical skill. She resisted calls to resign, bribed and cajoled congressmen into killing an impeachment attempt in 2005, and countered attempts at extra-constitutional solutions. She instructed police to use force to disperse demonstrations before they can become the focal point for larger, more sustained mass actions similar to EDSA 1, 2, and 3. She came up with an executive order (EO464) preventing officials from testifying before Senate investigations. She issued a State of Emergency (1017) in an attempt to justify warrantless arrests of critics, muzzling the media and even threatening to take over public utilities. All these moves have been declared illegal by the Supreme Court but the regime continues to ratchet up repression, especially against the Left.

In a recent speech, Senator Mar Roxas says “Notice that I say crisis of confidence, and not a political crisis, because it goes beyond the simple partisan considerations that turn off so many people regardless of their socio-economic class. The malaise is more pervasive than we know and like an unspoken plague, it threatens to consume us all. It involves the near-total assumption by the governed, that those governing deserve neither confidence nor even token assistance. It becomes every man for himself. Accordingly, the led have near universal disdain for those doing the leading.” (Roxas,2006) Another analyst says “If we look at the data concerning public opinion and popular will, we are in fact already in a stage of what I call a “governance vacuum”, where people want their political system to provide credible leadership for change but for a combination of reasons this leadership is not forthcoming.” (Taguiwalo, 2005)

The resolution of the crisis of the Arroyo regime can only come with her removal. “If our country were Japan or South Korea, where personal honor is still highly valued, Mrs. Arroyo would have long bowed out of power in shame for disgracing her office. She would have drunk poison, or thrown herself into the murky waters of the Pasig. If this were Germany or Great Britain, where law and politics are taken seriously, the party in power would have instantly and decisively distanced itself from its discredited leader as an act of mortification if not of self-preservation. If this were the US, she would have been convicted for obstruction of justice on multiple counts, and hounded out of the presidency.” (Randy David, The National Situation 7 Feb. 2006, Manila Polo Club)

Arroyo may remain as president but will continue to have to operate under tenuous conditions within narrow boundaries. The impasse remains because players have different time and space perspectives. Those closest to centers of power want a quick resolution to preempt the danger of things getting out of hand and “allowing the Left and the Right” to get stronger. While cloaked in calls for “rule of law” and “following the constitution”, these groups want the crisis resolved in small, secure meetings of the powerful. Those on the margins of power, the various Left groups want the crisis to last long enough for it to spill over into the streets, for the solution to go beyond a new arrangement of powerful individuals and groups towards changes in the political system. In the end, Arroyo remains in

power because of what we might call “systemic inertia”.

Constitutional Reform

Whatever the outcome of the current struggle, constitutional reform is likely to be part of the package. “Somewhere down the reform agenda of all the proposed variations of a transition government is the revision of the 1987 constitution. Most of the groups are amenable to supporting the shift to a parliamentary, federal form of government, an amendment that's a priority among charter-change advocates within the administration... Calling for a shift in the form of government is actually a common ground between the opposition and administration in the face of what both camps acknowledge to be Pres.Arroyo's battered credibility.”² Indeed, in the first half of 2006, pro-anti-Arroyo contention has mainly been on the issue of charter change.

The discussion on constitutional reform in the first semester of 2006 was intense but marked by an air of unreality. Political groups pushing constitutional reform most strongly, those identified with beleaguered Pres.Arroyo, are traditional politicians led by House Speaker Jose De Venecia, precisely the groups and individuals who exemplify old-style politics. The groups opposed to constitutional reform at this time, including cabinet secretaries who have resigned and civil society groups who have campaigned on the issue for years, are those who have unquestioned records as political reformers. The intensity of the push for rapid constitutional reform through a constituent assembly is at fever pitch precisely at a time when everyone knows it does not have a ghost of a chance because of Senate opposition.

The reason for this inversion of roles is encapsulated in the slogan “Gloria has to face the music, before we dance the chacha³”. Longtime proponents of constitutional reform believe that Pres.Arroyo is using chacha as a smokescreen, as an issue for distracting public attention away from charges of corruption and election fraud that threatens to get her removed from office. Her propaganda line is that whatever shortcomings she has, she is a victim of a defective political system that now has to be changed. Chacha also serves a practical requirement for Arroyo survival, getting the support of local officials and congress persons who are the most avid proponents of chacha. In fact, chacha is impossible under current conditions because everyone is preoccupied with the intense struggle between pro-and anti Arroyo groups.

While competing proponents of chacha all publicly support a shift from a presidential to parliamentary form of government and from a unitary to federal system, there is a deep divide between the two sides. At the root of this division is the difference between one side which wants to transform the political system to assure the reproduction of the political class which has controlled Philippine politics for most of the last century and the side which wants to transform the distribution of political and social power in the society. In the end, substantive reform happens only when the balance of political power has shifted. This is where the link between the struggle over President Arroyo's continued stay in office and constitutional reform lies. The resignation of reformist members of her cabinet, and her unabashed use of patronage to remain in power has placed her completely on the side of reaction. If she remains in office until the end of her term in 2010, it will mean that the forces of reform have lost. But if she is overthrown, substantive constitutional reform, one that rearranges the balance of political power, will be possible.

² Miriam Grace A. Go and Isagani De Castro, Jr., “Talk About a Revolution”, **Newsbreak**, July 18, 2005, p. 27.

³ In acronym crazy Philippines, 'charter change' morphs into chacha.

The proposals of the pro-GMA chacha camp and the means for achieving its agenda has become more and more 'radical'. Faced with Senate intransigence, the House-Malacanang-Local Government Officials combine is pushing ahead with extra-constitutional means. Both the peoples initiative and the constituent assembly being pushed by pro-administration groups have questionable legal basis. The proposed amendments have also changed. The House' 'shift to parliament' agenda has now incorporated the removal of restrictions on foreign participation in the economy, and more ominous, the adoption of authoritarian constitutional formulations. Since the pro-anti-chacha camps roughly coincide with the pro-anti-GMA camps, overall polarization precludes negotiation. The pro-GMA chacha camp has, as a result, also decided to 'go for broke'. Its as if the leadership has decided that if you do not have to negotiate chacha outcomes, you might as well 'load' your agenda, go from a 'minimum' to a 'maximum' program.

Changing discourse on chacha in the past decade has been influenced by deepening crisis. Successive crisis have brought out more and more the bankruptcy of the 1935 political system restored by Cory Aquino. The military challenges to that system during the Aquino presidency, then in 2003, most recently, in February 2006, can be seen as instances of the refusal of a key apparatus of the state to accept the political system. The most important crisis was the extra constitutional ouster of Pres. Joseph Estrada in 2001. The Estrada presidency and its extra constitutional demise, EDSA 2 and EDSA 3, the chaotic May 2001 elections, then the threat of an FPJ candidacy converged to heighten a sense of political crisis in the political class. Although inchoate, the crisis is a crisis of representation, a deep and abiding concern about the ability of our political institutions to produce competent and trustworthy leaders.

As more and more people understand that what is at stake is the shaping of a new political system, the implications of the De Venecia chacha agenda has begun to hit home. If the House proposal gets implemented, we will go from the frying pan to the fire. The corrupt, patronage ridden political system we have had for most of the last 70 or more years will remain and get worst. The link between our personalistic, clan based, and violent local politics and the central government are congress persons elected in single member districts. Congressional horse trading was mitigated by having to make deals with a powerful president and the Senate. Under the House proposal, their competitors for power, the senators and the president, will be removed. Political parties will remain weak because members of parliament who depend mainly on their own resources to get elected in single member districts will not be amenable to the tighter party discipline required in a parliamentary system. As if these were not bad enough, the new regime would have authoritarian powers.

Roots of Crisis

The reason we have come to this dangerous pass can only be understood by going right to the heart of our political system. It is a system built on networks of local political notables organized in ascending order until the national level. For most of the last century, these networks negotiated control of patronage among themselves. They retained enough influence on voters to give elections a semblance of democratic reality while retaining control over the allocation of power. Over time this system got eroded by demographic changes. Population growth brought a rapidly expanding electorate. Urbanization and commercialization eroded traditional patron-client ties of deference. The inability of corrupt and incompetent governments to do anything about scandalous poverty eroded trust. Politicians controlled less and less of the vote. Their political parties never developed enough to give people electoral choices. Media – action stars, news anchors, comedians and basketball heroes – took over from politicians in guiding electoral choice.

Marcos had the audacity to pose an authoritarian option. If demographic and political change makes the election of credible national leaders difficult, end elections and make economic performance the basis of your legitimacy. Greed, incompetent would-be captains of industry, lupus, and a powerful anti-dictatorship movement led by the Left closed off the authoritarian option. Instead of dealing with this structural problem, Pres. Aquino simply restored the pre-martial law political system. It is no accident that resurgent populist politics chose to link with Marcos' political option. Erap and FPJ shared a bloated, macho sense of their capacity to shape reality with Marcos. Perhaps we should add some leaders of the Left to this cabal of people who believe that their grasp of history, willingness to use violence, and to manipulate popular sentiment add up to a nasty, noxious anti-democratic brew.

Post-Marcos populism creates problems for both the Right and the Left. Karaos (2006) captures the character of contemporary populism best by contrasting it to clientelism. "There are a number of important differences between the clientelism of traditional politics and the relationship between Estrada and his urban poor allies. The first relates to the way the leader views the existing power structure. Populist leaders create and maintain their populist appeal by challenging—at least in rhetoric if not in their actions—the existing power structure and typically portray themselves as the enemy of the elite. Estrada not only cast himself as an enemy of the rich, he even criticized the leaders of the Catholic Church for being elitist. Populist leaders make an effort to blur the class distinction between themselves and their followers. They build their legitimacy on this identification with the masses...

"By contrast, the traditional patron never sets out to confront the inequity of the existing power structure. Instead, traditional politicians seek to give legitimacy to the prevailing power structure by ensuring that the poor also get something out of it through their intervention. They act as intermediaries between the poor and the political system. In the eyes of their followers, traditional politicians are seen as effective leaders because of their access to power. A second difference is the articulation of some kind of "class" or collective interest in a populist relationship. This is absent in clientelism. The latter succeeds in maintaining dependency by defining their relationship with their poor constituents in very particularistic terms. By contrast, populist leaders cultivate a class identity by emphasizing how the poor are being victimized by the elite...

"Populism and clientelism, however, share an important characteristic: their abhorrence for institutions and institutionalized channels of interest representation. Because of this, both end up reinforcing existing power relations. They do not encourage the formation of independent organizations with stable linkages to political institutions; instead, they cultivate the dependence of subaltern groups on politicians who represent the poor's only access to the political system." (29 karaos) Unlike Latin American populists such as Peron, who mobilized poorer sections of the population into unions and a political party that remains to this day, or nationalist leaders in Asia who led their countries to independence, contemporary Philippine populism is 'demobilizing'. A distinct feature of the later populist variants is a subtle change in the pattern of mass mobilization. Unlike the first generation of leaders, new populist leaders do not build durable political parties nor labor organizations to carry out their populist project.

The rise of populist leaders has created serious problems for traditional politicians. Decentralization and the changing political economy of more and more local areas has meant new challengers to the political clans who control local politics. But it is not in local politics where traps have the biggest problems. It is at the level of national electoral politics, in particular in the presidency and the senate which have national electoral constituencies. Never very strong, political parties have gotten even weaker in the post-Marcos period. One attempted solution, setting up political party coalitions, what Abinales calls "big tent politics" (Abinales 2001) does not really work. This was the

situation Arroyo confronted in the 2004 election. Facing a very popular movie action star in the mold of Estrada, Arroyo probably felt she had no choice but to use government resources to buy vote banks and organize extensive cheating. For a while it looked like Arroyo would get away with it, then the Garci tapes scandal happened.

“Politicians like Ms. Arroyo cannot seem to understand why cheating in elections has become so suddenly wrong, or why taking kickbacks from government contracts and pork barrel projects is suddenly frowned upon. They wake up one morning, and they discover to their dismay that our people are demanding better government. I believe that the crisis in our political life arises precisely from the growing refusal of many ordinary Filipinos from all classes to tolerate patronage, fraud, political bossism, corruption, and misgovernance of our public life. The ruling classes of our country - the ones who are used to cynical wheeling and dealing, to corruption, to intimidation, and the exploitation of mass ignorance and dependence - are beginning to discover that they can no longer rule in the old way. Every election year they find that they have to cheat harder in order to get elected.” (Randy David, *The National Situation*, 7 Feb. 2006, Manila Polo Club)

I would like to agree with Randy David that “our people are demanding better government”. But the people will not move on their own, they need leaders. The danger is that “those most ready with a viable solution to political crisis have often been the vested interests because their goals are clear and their methods decisive. Reform forces with diffused goals and indecisive methods are the first casualties of intensified crisis and their usual palliative resolutions. This recurrent result explains our recurrent cycles of crisis: vested interests capture the solution to a crisis, which postpones but practically guarantees another crisis.” (Taguiwalo, 2005: 1) Middle class reform groups “...have squandered our goodwill with every crisis we have participated in resolving that merely led to adopting the best among worst solutions and when crisis once again recurs, our people’s trust in our advocacies get weaker until we eventually lose all moral authority to offer solutions altogether.” (Taguiwalo, 2005:5)

Damage to Institutions

One of the propaganda lines of the Arroyo administration is that the opposition should stop and let her and the country “move on”. This line has resonance among people who do not want to be bothered by political conflict. What these people do not understand is that even if the anti-Arroyo people stop the country would still not “move on”. The country cannot go forward precisely because Arroyo is pushing it backwards by the day. Political institutions which have been painstakingly built over the course of a century are being eroded in Arroyo's desperate effort to remain in power. Some institutions are being damaged because they are being manipulated – the Comelec, the Armed Forces of the Philippines, the House of Representatives, the Ombudsman, to name a few. Others, especially those providing government services, are being undermined out of neglect.

Arroyo's manipulation of the Armed Forces is particularly dangerous because it is the main source of the kind of unhappiness among junior officers that is fueling coup plotting. The biggest issue is widespread belief among disgruntled officers that armed forces units were used to cheat in the 2004 elections. Another is the virtual takeover of the Intelligence Services of the Armed Forces of the Philippines (ISAFP) by Malacanang operatives and the unit's use for partisan political purposes. Almost everyone (nobody including the ISAFP denies this) believes the Garci tapes were made by ISAFP. The promotion of officers implicated in the Garci scandal is adding salt to festering wounds. All this on top of the kind of corruption that denies equipment, and medical attention to wounded foot soldiers.

A lot more research needs to be done on the damage to a whole range of political institutions. For illustrative purposes, in this paper we will focus on the civil service. In contrast to the British who concentrated on building the civil service in their colonial possessions, the Americans left behind a weak, corrupt and incompetent bureaucracy in the Philippines. Small steps have been taken to build a better civil service, interestingly enough starting at the time of Marcos. Arroyo is undermining these efforts. If we segue from the military and police to reforming the bureaucracy, in a recent speech at a Command Conference of the Philippine National Police, Arroyo expressed support for scrapping the Civil Service Illegibility Exam for promotion to the rank of senior superintendent or higher, undermining a key instrument for professionalizing the police. (Manila Standard, October 1, 2005)

What has happened at the Career Service Executive Board (CESB), the government body that oversees the top tiers of the country's bureaucracy is even more damning. The story starts with the palace buying congressional support to block the impeachment move in the third quarter of 2005. Three postdated checks worth P15M from the President's Social Fund for Zambales Congressman Antonio Diaz, had to be channeled through the Department of Education and Culture. DEC's Undersecretary Mike Luz returned the checks citing violations of department rules. For his efforts, he got sacked. (Papa,2005) But that was not the end of the story.

In a March 20, 2006 resolution (619), the CESB did something unheard of: it accused Malacañang and the Cabinet of "transgressions" of civil-service laws, rules and regulations. It cited the unjust termination of Education Undersecretary Juan Miguel Luz and former Pag-IBIG Fund president and chief executive officer Manuel Crisostomo, both career bureaucrats, and the appointment of non-civil service eligible officials. These, the CESB said "have resulted in growing apprehension and demoralization" in the civil service and threatened to "further erode the institutional foundations of a professional bureaucracy... In return, Malacañang has reacted with a series of what appear to be punitive and retaliatory moves against the CESB. Within days after the resolution, two of the CESB's eight members lost their seats. Two others one of whom was reportedly forced to resign were replaced after a couple of weeks. Insiders at the agency say the resolution also strengthened the resolve of Palace officials to replace Civil Service Commission Chair Karina David as CESB chair.(Chua, 2005)

Resolution 619 lists seven categories of personnel actions by the Arroyo administration that affect CESOs and third-level eligibles and have "undermined the principles of professionalism and meritocracy." CESB records show that of the 2,583 career executive positions appointed by the president, 42 percent are currently filled up by "non-eligibles," or those who did not have to go through the rigid process undergone by career bureaucrats. Despite repeated pronouncements that it has trimmed the fat in the government service, the bureaucracy under Arroyo is more bloated now that it was under Estrada. DBM records show Arroyo had 1,150,681 permanent positions in national government agencies in 2005, or 47,555 more than what Estrada had in 2000. Data from the budget department reveal that the Arroyo administration seems to have at least 22 more undersecretaries and eight more assistant secretaries than the previous government.

Economic Imperative

One of the reasons why Arroyo remains in power is that "business as usual" conditions paper over deep and dangerous problems in the economy. Business people have become so used to "muddling through" that they hardly ever believe anymore that conditions could be different. Middle class people are busy making ends meet or saving to be able to go abroad. The poor don't have the energy to do more than scrape together enough money for the next meal. "Official statistics show that

poverty incidence (by population) had declined from 49.2 percent in 1985 to 39.4 percent in 2000, an average reduction of 0.7 percentage point per year. However, in absolute numbers, the number of poor had increased from 26.5 million to 30.4 million Filipinos. The annual decline in poverty incidence also pales by comparison with the performance of neighboring Asian countries; Indonesia had a reduction of 1.6 percent per annum between 1985 to 1999, while Thailand, 1.7 percent per annum between 1986 to 1999.” (Ateneo Political Science and Economics Departments,2005:17)

Most economists agree that the greatest gains in reducing poverty derive from economic growth. There is also agreement that sustained GNP growth beyond 6 percent per year is necessary. In the last six years, the Philippines has averaged only 4.4 percent growth. Even this growth is questionable. Economist Maitet Diokno Pascual says “...the Arroyo government is able to sustain itself, because of two things: OFW remittances and over borrowing. Arroyo is engaging in what economists call the “Ponzi game” of borrowing to repay maturing principal. A recent [study](#) of the [Asian Development Bank \(ADB\)](#) said the Ponzi game played by Arroyo is working but is not sustainable. To which Pascual agreed, adding that the Ponzi game, whose main strategy is to keep treasury bills below market rates, cannot be played indefinitely without squeezing out bank profits.” (PCIJ, Pabico, April 26, 2006) The ADB goes further, “The Bank noted that the largest contributor to the country’s GDP growth last year was personal consumption expenditure, buoyed, in turn, by remittances from overseas workers. Remittances pushed up the performance of the banking sector; and remittances were also responsible for reining in the negative impact of a widening trade deficit.” (PCIJ, Datinguino, April 7, 2006)

Table 3. Asian GDP Growth Rates
2001-2006

Country	2001	2002	2003	2004	2005*	2006*
Singapore	-1.8	3.2	1.4	8.4	4.1	4.5
Malaysia	0.3	4.1	5.3	7.1	5.7	5.3
Thailand	2.2	5.3	6.9	6.1	5.6	5.8
Indonesia	3.8	4.3	5.0	5.1	5.5	6.0
Vietnam	5.8	6.4	7.1	7.5	7.6	7.6
Philippines	1.8	4.3	4.7	6.1	5.0	5.0
China	7.5	8.3	9.3	9.5	8.5	8.7
South Korea	3.8	7.0	3.1	4.6	4.1	5.1

*Projected

Source: Asian Development Bank, 2005

The government's fiscal situation is problematical both at the revenue and the expenditure ends. Even if you factor in the large devaluation in the aftermath of the 1997 Asian financial crisis, the increase from an average annual deficit of P7.2 billion during the Ramos administration (1992-98) to P186.1 billion during the 2001-04 years of Arroyo is massive. On the revenue end, the Arroyo administration performance has been poor. “...revenue effort was on the uptrend from an average of 14 to 16 percent between 1990 and the Asian crisis in 1997, after which tax effort declined steeply from 15.63 percent in 1998 to 12.5 percent in 2003. (Bacate and others, 2004) UP Economics professor and columnist Solita Collas-Monsod provides more damaging detail. The tax effort ratio (unweighted average tax to GDP ratio) for the 30 nation OECD for 2003 was 36.1 percent: Sweden 50.7 in 2004, Mexico 18.5, Korea 24.6, US 25.4. In SEA, Malaysia was 17.6 in 2003, Thailand 16.7, Vietnam 16.4, Philippines 12.7 in 2005. Given that Philippine GDP in 2004 was P5.3 trillion, if we had Vietnam's tax effort, we would have raised an additional P196 billion, enough to wipe out our budget deficit. (Monsod,2006) Promising reforms in revenue administration in the first few years of the Arroyo administration was cut short with the resignation of key members of the team at both the Bureau of

Table 4. Fiscal Performance of the Past Administrations
1946-2004

Political Administration	Average Annual Fiscal Surplus (Deficit) in PhP million	Average Annual Fiscal Surplus (Deficit) in US\$ million
Roxas (1946-48)	(30)	(15)
Quirino (1948-53)	(2)	(1)
Magsaysay (1953-57)	(76)	(38)
Garcia (1957-61)	(107)	(53)
Macapagal (1961-65)	(113)	(40)
Marcos (1965-72)	(397)	(85)
Marcos Authoritarian (1972-86)	(6,648)	(537)
Aquino (1986-92)	(24,242)	(1,030)
Ramos (1992-98)	(7,261)	(181)
Estrada (1998-2001)	(111,193)	(2,408)
Macapagal-Arroyo (2001-04)	(186,171)	(3,439)

Source: Batalla (2005)

Note: All figures are rounded. Deficit figures during the Estrada period from 1998-2000 only and for Marcos authoritarian period up to 1985 only.

(University of the Philippines School of Economics Discussion Paper 05-05.)

The main source of vulnerability of government finances is debt. “Last year, government spent the equivalent of 81 percent of its revenues to pay for both interest and principal amortization of its total debt, or more than 4 out of every 5 pesos it made from both tax and non-tax revenues. In 2005, government is allocating the equivalent of over 90 percent (i.e. more than 9 out of every 10 pesos) of projected revenues to interest and principal payments for outstanding debt.” (Ateneo,2006: Executive Summary, 1) Net of interest payments, primary spending of the national government has actually declined significantly since 1999, and is now at its lowest level in a decade. The bulk of the national budget that remains after interest payments are already committed beforehand to salaries, maintenance and operating expenses, and the internal revenue allotment to local governments, leaving very little for infrastructure spending and other development needs. ((Ateneo,2006: 11)

Table 6. Total Debt Service as Percentage of National Government Revenues
1995-2004

Particulars	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total Debt Service	38.0%	28.7%	26.7%	35.6%	42.9%	44.3%	48.7%	63.1%	75.0%	86.2%
Domestic	23.6	17.6	16.2	22.1	28.5	27.0	29.6	35.4	47.1	56.2
Foreign	14.4	11.1	10.5	13.5	14.4	17.3	19.1	27.7	27.9	30.0

Source: Bureau of Treasury (Ateneo,2006: Table 1, p.2)

Massive borrowing as a tactic for dealing with fiscal problems means the government and the economy as a whole is vulnerable to financial shocks from within the country and outside. The damage

remains potential as long as there are creditors who are willing to lend. The cost of the government's other tactic, cutting back on services is already being felt. Worst, cutbacks on health and education expenditures already compromise future generations. Government primary spending has been steadily declining during the Arroyo years. The 2005 budget mandated a contraction of primary spending by 2.8 percent in absolute (nominal) terms. The decrease in real terms, of course, is much larger. The cuts would bring primary spending down to only 11.9 percent of GDP. Since the 2005 budget was reenacted in 2006, the contraction continues.

Selected items of government spending

(as percentages of nominal GDP)

	1999	2000	2001	2002	2003	2004
Primary spending ¹	16.25	15.04	14.76	14.95	13.96	12.86
Education	3.39	3.23	3.05	3.03	2.99	2.69
Health	0.44	0.38	0.31	0.33	0.25	0.23
Infrastructure outlays	1.85	1.94	1.77	1.51	1.41	1.06
<i>Memorandum:</i>						
Personal services	7.24	7.01	6.82	6.77	6.42	6.16

¹Expenditures less interest payments
Source: Department of Budget and Management

The impact of this neglect remains to be measured. Attention was recently focused on education “...when President Gloria Macapagal-Arroyo publicly scolded Acting Education Secretary Fe Hidalgo for suggesting that there was a shortage of almost 7,000 classrooms with 45 pupils to a room. Arroyo said the shortage was much less -- about 1,000 classrooms -- but admitted that the government would need to resort to double shifts in which they are used twice a day, with each class having 50 pupils to overcome the burden.” (Dalangin-Fernandez, 2006) The problem is so bad in some schools that toilets and hallways have to be used to accommodate classes. One report said children have to use umbrellas in class when it rains.

The result is disastrously falling standards. “Only 7 percent of senior high school students had mastered English; 2 percent, Science, and 16 percent math...The national average score in TIMSS (Trends in Math and Science Survey) in 2003 was 378 in math – 89 points behind the international average and 227 points away from the highest score notched by Singapore. It will take the Philippines 11 to 12 years to narrow the gap with the world average in achievement tests and 25 to 28 years to reach the Singapore level, says the Department of Education in a presentation to the Cabinet in July 2005.” (Del Mundo, 2006) At this rate, a whole generation of children will be sacrificed.

Another social service neglected by government, health, also impacts on education. “A paper presented by former Education Undersecretary Juan Miguel Luz says 30 percent of all pupils aged 6 to 12 years are “underweight and under height.” This condition is responsible for 25 percent of school dropouts before completion of Grade 4 and 35 percent before the end of Grade 6. The study also says that 65 percent of pupils aged 6 to 12 are iodine-deficient, while one out in every three suffers from iron deficiency anemia. Dental caries affect 87 percent of the children. No wonder, 32 percent of absenteeism in Grade 1 is due to mouth-related pain.” (Del Mundo, 2006)

System Change?

The political situation appears to have settled into a plateau, one where major developments are unlikely in the short term. This works in favor of Arroyo because the closer the May 2007 elections, the more it will suck political energies towards campaign preparations. While the second impeachment complaint has drawn a lot of media attention, administration resources remain sufficient for scuttling the initiative without getting into the substantive issues. On top of patronage, congress people who intend to run in the coming elections do not want the administration working against them. The shift in political preoccupations will move the situation away from system change.

There is near universal consensus on the need to make major changes in our political system. The pro-and-anti Arroyo camps agree on the need for constitutional reform even if they disagree on the mode and substance of amendment. But since neither peoples' initiative nor the constituent assembly campaign of the administration is going anywhere, constitutional reform is not likely in the near future. The closest possibility of reviving chacha is if Arroyo agrees to the Hyatt 10 call for the election of constitutional convention delegates at the time of the May 2007 elections. (Hyatt 10,2006) Even if this happens, constitutional reform will still be pushed years into the future because newly elected officials, in particular senators, will not be too interested in undoing what they just worked hard for.

As important as constitutional reform is, the kinds of institutional changes contemplated will have to be measured against the need for changes in the socio-economic distribution of power. "We may be able to get out of the current [economic] crisis by raising enough new revenues and even negotiating for debt relief, but unless we address the long-standing concentration of political, social and economic power to a limited segment of our society and economy, the country will remain weak and constantly subject to recurring crises." (Ateneo,2005:9) At this time, it is Arroyo's desperate obsession with remaining in power that is standing in the way of change. But in the end, it is the oligarchy and its relationship with the state that has to be changed.

"The evidence...points to increased concentration of economic power through the 1990s, as conscious efforts to consolidate market dominance managed to thwart increased competition through market contestability that trade liberalization would have normally provided. This increased monopoly power even in a more liberalized trade regime appeared to make the Philippine experience with liberalization somewhat unique. With this trend, it is not surprising that income inequality widened through the 1990s in spite of a generally stronger economy...The problem is that government itself has been largely instrumental in the attainment and perpetuation of such monopoly power. Through a series of policy reversals from the competition-enhancing reforms of the late 1980s and the 1990s, the government has protected a select group of capitalists by preventing other firms from introducing changes that would increase competition and productivity. On top of this, certain regulatory agencies have been "captured" by the very firms they are supposed to regulate, further contributing to the perpetuation of monopolistic tendencies in key sectors of the economy." (Ateneo,2005: 4)

The struggle against the Arroyo regime will continue because effective governance is impossible in a situation where the population does not trust the president, where key segments of business, the church, and civil society are actively working against the regime. As long as Arroyo remains in power, a fiscal policy which sacrifices social services, and the health and education of future generations therefore, will remain in place. As the Hyatt 10 statement put it recently: "There are no victors in this continuing impasse – only victims. And the biggest victims are our deeply cynical and ever suffering poor themselves and our much-weakened social, economic and political institutions." (Hyatt 10,2006)

Working for system change will be a long and demanding process. It will have to be done in many small and concrete steps. It cannot be done without changes in the perspectives of key anti-

Arroyo and pro-reform groups. Middle class groups such as the Black and White Movement will have to develop a will to power. “We must begin by accepting that this is about the capture and exercise of political power and we need leaders who can gain credibility and following on the basis of what we stand for and who can then become our reliable champions as well as faithful agents in the execution of our agenda for reform. We must also realize that we have tremendous resources available to our cause, as there are many government officials at various levels that share our aspirations, many local government officials that see these things like us and many legislators who could become our allies in the capture of political power and in prosecuting the reform process. These are in addition to our traditional allies in business, academe, professions, Church and non-government sectors. We may also have many fellow travelers in the police and military who will necessarily have to take the backseat in the effort but whose support will be essential to our eventual success.” (Taguiwalo,2005)

The second major change in perspective will have to come from the Left. The Maoists are too deliberately set in their ways, but democratic Left groups are already in the process of changing their perspectives. The Left does not have the capacity, at this time, to shape politics to its liking. That will not matter to some who are used to decades of “protracted struggle”. What they have to come to terms with is, if the crisis will produce systemic reform in the near future, and they are in no position to shape reform on their own, they will have to ally themselves with other groups in order to have a role in shaping that future. When they see poverty they have to see beyond organizing opportunity to the childrens' futures lost the longer it takes to win the struggle for reform. Finally, for both middle class and Left groups to see beyond their fear of each other to a joint political project for our people.##

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